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ARIZONA CORPORATION COMMISSION
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Managing Partner

April 15, 2010

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Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

Re: Arizona-American Water Company
Docket Nos. W-01303A-09-0343 and SW-01303A-09-0343

Ladies and Gentlemen:

Anthem Community Council, Inc. hereby submits for filing an original and fifteen (15) copies of the Surrebuttal Testimony of Dan L. Neidlinger, together with Exhibits thereto. Copies of this testimony and exhibits will also be electronically served or mailed to all known parties of record in the aforesaid proceedings. Please return a conformed copy with our runner. If you need anything further, please contact me.

Sincerely,

Judith M. Dworkin
Sacks Tierney P.A.

and

Lawrence V. Robertson, Jr.
Attorneys for Anthem Community Council

Arizona Corporation Commission
DOCKETED

APR 15 2010



By: Judith M. Dworkin
Judith M. Dworkin

BEFORE THE ARIZONA CORPORATION COMMISSION

2010 APR 15 P 3:38

COMMISSIONERS

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY,
AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED THEREON FOR
UTILITY SERVICE BY ITS ANTHEM WATER
DISTRICT AND ITS SUN CITY WATER
DISTRICT.

DOCKET NO. W-01303A-09-0343

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY,
AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED THEREON FOR
UTILITY SERVICE BY ITS ANTHEM/AGUA
FRIA WASTEWATER DISTRICT, ITS SUN CITY
WASTEWATER DISTRICT AND ITS SUN CITY
WEST WASTEWATER DISTRICT.

DOCKET NO. SW-01303A-09-0343

**SURREBUTTAL TESTIMONY OF
DAN L. NEIDLINGER**

Q1. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.

A1. My name is Dan L. Neidlinger. My business address is 3020 North 17th Drive,
Phoenix, Arizona. I am President of Neidlinger & Associates, Ltd., a consulting firm
specializing in utility rate economics.

1 Q2. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN THIS PROCEEDING?

2 A2. Yes, I did.

3
4 Q3. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

5 A3. I am appearing on behalf of the Anthem Community Council ("Anthem"). Anthem
6 has intervened in this proceeding on behalf of over 8,800 of its residents that are water and
7 wastewater customers of Arizona-American Water Company ("AAWC" or "Company").
8

9 Q4. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

10 A4. First, my testimony responds to the March 22, 2010 Rebuttal Testimony of Paul G.
11 Townsley on behalf of the Company regarding rate base deferral recommendations made
12 by me in my March 8, 2010 Direct Testimony associated with the \$20.2 million Pulte
13 refund payment. Second, I discuss the direct testimony recommendations of Staff witness
14 Dorothy Hains with respect to the allocation of the plant and operating costs of the
15 Northwest Valley Regional Treatment Facility ("Northwest Plant"). In that regard, I am
16 recommending that Anthem/Agua Fria district receive a much lower allocation percentage
17 than the 28% recommended by Ms. Hains. My proposed adjustments with respect to this
18 plant are also applicable to and thus reduce the rate base recommendations of the Company
19 and RUCO as well. Finally, I discuss the revenue effect of incorporating this adjustment
20 plus the rate base deferral adjustments discussed in my direct testimony with the revenue
21 requirements recommendations of Staff, RUCO and the Company, as revised in its April 5,
22 2010 rebuttal filing.
23

24 Q5. WHAT ARE YOUR COMMENTS WITH RESPECT TO THE REBUTTAL
25 TESTIMONY OF MR. TOWNSLEY?

26 A5. The major issue discussed in my direct testimony is the rate shock embodied in the
27 Company's water and wastewater rate requests. The "rate relief benefits" referred to by
28 Mr. Townsley at page 10, lines 1-10 of his testimony do not meaningfully address the rate

1 shock resulting from the \$20.2 million payment to Pulte; and, he did not proffer any
2 alternative rate shock mitigation ideas. He apparently views rate increases in the range of
3 62% for wastewater to 80% for water as reasonable. I strongly disagree.

4
5 Q6. MR. TOWNSLEY STATES THE FOLLOWING AT LINE19, PAGE 10, OF HIS
6 REBUTTAL TESTIMONY: "Under Mr. Neidlinger's proposal, Arizona-American's
7 shareholder will not receive a full return on its investment until 2015 which is
8 approximately seven years after the investment was made." WHAT IS YOUR
9 RESPONSE?

10 A6. By definition, my proposed ratemaking treatment of the \$20.2 million Pulte refund
11 payment in 2008 defers the return on this investment into the future. However, Mr.
12 Townsley did not mention the fact that the Company will have an opportunity to begin
13 earning a return on increasing percentages of this investment prior to 2015. Under my
14 proposal, 40% or \$8 million of the refund would be transferred to plant in service this year
15 - 2010. Accordingly, in is conceivable that the Company could be earning a return on this
16 portion of the refund by the year 2012. Similarly, 80% or \$16 million of the refund would
17 be eligible for return by the end of 2012 thereby enabling the Company to be earning a
18 return on the bulk of the refund by the year 2014.

19
20 Q7. DOES THE FACT THAT NEITHER THE STAFF NOR RUCO RECOMMENDED
21 RATE BASE DEFFERALS, AS MENTIONED ON PAGE 9 OF MR. TOWNSLEY'S
22 REBUTTAL TESTIMONY, CHANGE YOUR OPINION WITH RESPECT TO YOUR
23 RECOMMENDATIONS ON THIS ISSUE?

24 A7. No. The fact that neither party recommended this approach does not invalidate the
25 concept. As discussed later in my testimony, the revenue increases recommended by both
26 the Staff and RUCO do not address or propose to resolve the rate shock issue.

1 Q8. TURNING YOUR ATTENTION TO THE NORTHWEST PLANT MATTER, DID
2 EITHER THE COMPANY OR RUCO ADDRESS THE ALLOCATION ISSUE IN
3 THEIR DIRECT TESTIMONY PRESENTATIONS?

4 A8. No, they did not. The Company's filing allocated 32% of the plant to the
5 Anthem/Agua Fria Wastewater District, which was the finding of the Commission in the
6 prior case, Decision No. 70372. RUCO also adopted that allocation percentage. To my
7 knowledge, neither the Company nor RUCO performed an independent analysis to confirm
8 the propriety of the 32%. Thereafter, the Company's rebuttal filing adopted the 28%
9 allocation percentage recommended by Staff.

10
11 Q9. HAVE YOU REVIEWED THE BASIS FOR STAFF'S RECOMMENDED
12 ALLOCATION OF THE NORTHWEST PLANT TO THE ANTHEM/AGUA FRIA
13 WASTEWATER DISTRICT?

14 A9. Yes. In the prior case, the 06-0403 case, the Commission determined that 32% of the
15 Northwest Plant was assignable to the Anthem/Agua Fria Wastewater District. This
16 allocation percentage was based largely on the projected growth calculations initially made
17 by Staff engineer Dorothy Hains in the 06-0491 case. Ms. Hains has made similar
18 projections in this case and concluded that the allocation percentage should be lowered
19 from 32% to 28%. In that regard, Ms. Hains made a material error in her historical
20 customer growth rate calculation and compounded this error by then assuming that
21 customer growth in the Northeast Agua Fria ("NEAF") would increase linearly at this rate
22 in the future. Accordingly, her recommended allocation percentage exceeds, by a wide
23 margin, the percentage that should be used for ratemaking purposes in this case.

24
25 Q10. PLEASE EXPLAIN MS. HAINS CALCULATION ERROR WITH RESPECT TO
26 HISTORICAL GROWTH RATES IN THE NEAF SERVICE AREA.

27 A10. Exhibit DLN-1, attached, shows historical customer growth rates for NEAF, the
28 projected growth rates calculated by Ms. Hains and my revised growth rate calculations.

1 Ms. Hains projected 704 per year customer growth rate is based on the assumption that
2 there were no customers in the NEAF service area at the end of 2004 and a 2,816 customer
3 increase over the five year period of 2005 through 2008. Staff's engineering report,
4 however, in the 06-0491 case shows 602 customers receiving service in the NEAF service
5 area in January 2005. Using this customer count, the customer increase for the five-year
6 historical period would be 2,214 or 443 customers per year rather than the 704 used by Ms.
7 Hains.

8
9 Q11. SHOULD THE REVISED GROWTH RATE OF 443 CUSTOMERS BE USED
10 FOR PROJECTING FUTURE CUSTOMER GROWTH IN THE NEAF SERVICE
11 AREA?

12 A11. No. As shown on Exhibit DLN-1, growth rates have declined significantly from the
13 1,502 increase in 2006 as one might expect due to the recession in the housing market.
14 NEAF experienced a negative growth of 59 customers in 2008 and an increase of only 98
15 customers in 2009. Staff's projections in this case failed to consider the recent changes in
16 economic conditions. Ms. Hains has projected 3,520 customers at the end of 2009
17 compared with the actual count of 2,914. This represents a 606 customer or 21% forecast
18 error in one year. Further, NEAF would have to add 1,310 new customers in this year, to
19 achieve Ms. Hains projected customer count of 4,224 at the end of 2010; a highly unlikely
20 occurrence in today's housing environment. Similarly, the use of the 443 customer growth
21 rate would also produce unrealistic results based on recent experience and the slow housing
22 market.

23
24 Q12. HAVE YOU DEVELOPED A PROJECTED CUSTOMER GROWTH RATE FOR
25 USE IN THIS CASE?

26 A12. Yes. I am generally not an advocate of the use of forecasts for ratemaking purposes
27 since this methodology is at odds with the concept of known and measureable changes.
28 However, the Commission has relied upon projections as the basis for allocating the

1 Northwest Plant in previous cases. Accordingly, as indicated on Exhibit DLN-1, I have
2 calculated a recommended growth rate of 111 customers per year for the four year period
3 of 2010 through 2013. This rate of growth is the average customer growth rate for the
4 years 2007 through 2009 and is, in my view, much more realistic than Staff's projection
5 since it better reflects the conditions in the housing market now and in the foreseeable
6 future.

7
8 Q13. PLEASE EXPLAIN EXHIBIT DLN-2.

9 A13. Exhibit DLN-2 shows the calculation details supporting Staff's 28% allocation
10 percentage and my recommended allocation percentage of 16.5% (rounded up from the
11 16.41% calculated percentage). My calculation assumptions for maximum peak day flows
12 per customer are the same as those used by Ms. Hains. The only variant is the change in
13 the forecasted customer growth rate.

14
15 Q14. WHY HAS STAFF USED A 28% ALLOCATION FACTOR WHEN THE
16 CALCULATIONS ON EXHIBIT DLN-2 SHOW A 26.94% FACTOR?

17 A14. That question was asked in Anthem's Data Request 2.1 to Staff. Staff responded
18 that per-customer maximum daily flows for NEAF appear to be increasing, relative to Sun
19 City West, and the allocation factor accordingly was adjusted upwardly to 28%. However,
20 no revised calculations were provided by Staff to support this adjustment.

21
22 Q15. HAVE YOU CALCULATED THE EFFECT OF YOUR REVISED
23 ALLOCATION PERCENTAGE ON THE RATE BASE AND OPERATING INCOME
24 RECOMMENDATIONS OF THE COMPANY, STAFF AND RUCO FOR THE
25 ANTHEM/AGUA FRIA WASTEWATER DISTRICT?

26 A15. Yes. Adjustments to reduce rate base and increase operating income due to the
27 lowering of the allocation factor to 16.5% are shown on Exhibit DLN-3. A reduction of
28 approximately \$2.5 million is proposed for Staff's rate base and the Company's rebuttal

1 rate base. A larger reduction, approximately \$3.3 million, is proposed for RUCO's rate
2 base since it includes 32% of the Northwest Plant. Corresponding increases to operating
3 income are \$127,316 for Staff and Company and \$253,935 for RUCO.
4 Exhibit DLN-4 shows the effect on revenue requirements of combining the Northwest Plant
5 adjustment and the 2008 Pulte adjustment. As indicated on that schedule, these
6 adjustments reduce Staff's proposed wastewater increase from 58% to 45%. RUCO's
7 proposed increase is reduced from 61% to 46% and the Company's proposed increase of
8 61% is reduced to 49%.

9
10 Q16. WHAT DOES EXHIBIT DLN-5 SHOW?

11 A16. Exhibit DLN-5 provides a comparison of Anthem Water revenue requirement
12 recommendations of Staff, RUCO and Company rebuttal with the proposed increases after
13 making the Pulte refund adjustments discussed in my direct testimony. The rate base
14 deferral of the Pulte refund reduces the revenue requirements for Anthem Water by 22% to
15 23% thereby somewhat mitigating rate shock in this case. In my view, there remains a
16 fairly significant amount of rate shock even at the adjusted levels of increase shown on
17 Exhibits DLN-4 & 5. Staff, RUCO and the Company have done very little to deal with this
18 problem. Their rate increase proposals remain at extremely high levels ranging from 58%
19 for wastewater to 80% for water.

20
21 Q17. HAS THE COMPANY CHANGED ITS POSITION IN THIS CASE WITH
22 RESPECT TO THE DE-CONSOLIDATION OF WASTEWATER RATES FOR
23 ANTHEM AND AGUA FRIA?

24 A17. Yes. The Company's initial filing in the 08-0227 case included a proposal to de-
25 consolidate the wastewater rates for Anthem and Agua Fria. Apparently, at Staff's request,
26 the Anthem/Agua Fria Wastewater District rate request was pulled from that filing and
27 refilled in this case on a consolidated basis. As discussed in the revised direct testimony of
28 Company witness Thomas Broderick in this case, de-consolidation would not make sense

1 in view of the Commission's directive to evaluate the feasibility of rate consolidation
2 among all of the districts. I agree with Mr. Broderick's logic. However, should
3 consolidation of rates among AAWC's wastewater districts not be achieved in this case, the
4 de-consolidation issue should be revisited as part of any final Commission decision in this
5 proceeding.

6
7 Q18. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

8 A18. Yes, it does.
9
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28

1 ORIGINAL and fifteen (15) copies of the
2 foregoing filed this 15th day of April, 2010, with:

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ARIZONA-AMERICAN WATER COMPANY
ACC DOCKET NOS. W-01303A-09-0343 & SW-01303A-09-0343
ANTHEM WATER & WASTEWATER DISTRICTS

NORTHWEST WW PLANT ALLOCATION
Anthem/Agua Fria & Sun City West Customer Growth Rates

DESCRIPTION	END OF YEAR	NEAF CUST. (1)	CUST. GRTH.	% GRTH.	SC WEST CUST. (1)	CUST. GRTH.	% GRTH.
HISTORICAL:	2004 (2)	602			14,920		
	2005	1,079	477	79.24%	14,931	11	0.07%
	2006	2,581	1,502	139.20%	14,978	47	0.31%
	2007	2,875	294	11.39%	14,985	7	0.05%
	2008	2,816	-59	-2.05%	14,968	-17	-0.11%
	2009	2,914	98	3.48%	14,962	-6	-0.04%
STAFF PROJECTIONS:	2009	3,520	704	25.00%	14,982	14	0.09%
	2010	4,224	704	20.00%	14,996	14	0.09%
	2011	4,928	704	16.67%	15,010	14	0.09%
	2012	5,632	704	14.29%	15,024	14	0.09%
	2013	6,336	704	12.50%	15,038	14	0.09%
REVISED PROJECTIONS: (3)	2009	2,914	98	3.48%	14,962	-6	-0.04%
	2010	3,025	111	3.81%	14,962	0	0.00%
	2011	3,136	111	3.67%	14,962	0	0.00%
	2012	3,247	111	3.54%	14,962	0	0.00%
	2013	3,358	111	3.42%	14,962	0	0.00%

NOTES:

- (1) Historical Year End Northeast Agua Fria ("NEAF") Customers for Years 2005 Through 2009 Per Company Responses to Anthem Data Requests 4.8 and 4.9.
- (2) 2004 Year End Customers Per Staff Engineering Report in Docket WS-01303A-06-0491; NEAF Customer Count is January 2005.
- (3) Projected 2010 Through 2013 Customer Growth for NEAF Based on Average Growth for Three Years of 2007 Through 2009; Sun City West Projected Growth Rate is Flat.

ARIZONA-AMERICAN WATER COMPANY
ACC DOCKET NOS. W-01303A-09-0343 & SW-01303A-09-0343
ANTHEM WATER & WASTEWATER DISTRICTS

NORTHWEST WW PLANT ALLOCATION
Calculation of Allocation Percentages

DESCRIPTION	AMOUNT	PERCENT
<u>STAFF ALLOCATION PERCENTAGES (1)</u>		
NORTHEAST AGUA FRIA ("NEAF"):		
Number of Customers at End of Test Year (2008)	2,816	
Estimated Annual Growth (2005-2008) (2,816/4)	704	
5 Year Projected Growth (704*5 yrs)	3,520	
Projected Number of Customers in 2013 (2,816+3,520)	6,336	
Maximum Peak Daily Flow During Test Year (gpd/c)	168	
Projected Maximum Flow - 2013	1,064,448	26.94%
SUN CITY WEST:		
Number of Customers at End of Test Year (2008)	14,968	
Estimated Annual Growth (2005-2008)	14	
5 Year Projected Growth (14*5 yrs)	70	
Projected Number of Customers in 2013 (2,816+3,520)	15,038	
Maximum Peak Daily Flow During Test Year (gpd/c)	192	
Projected Maximum Flow - 2013	2,887,296	73.06%
Combined Maximum Flow - Northwest Plant	3,951,744	100.00%
<u>RECOMMENDED ALLOCATION PERCENTAGES (2)</u>		
NORTHEAST AGUA FRIA ("NEAF"):		
Number of Customers at End of Test Year (2009)	2,914	
Estimated Annual Growth (2007-2009) (333/3)	111	
4 Year Projected Growth (111*4 yrs)	444	
Projected Number of Customers in 2013 (2,914+444)	3,358	
Maximum Peak Daily Flow During Test Year (gpd/c)	168	
Projected Maximum Flow - 2013	564,144	16.41%
SUN CITY WEST:		
Number of Customers at End of Test Year (2008)	14,962	
Estimated Annual Growth (2007-2009) (-16/3)	-5	
4 Year Projected Growth (0*4 yrs)	0	
Projected Number of Customers in 2013 (14,962+0)	14,962	
Maximum Peak Daily Flow During Test Year (gpd/c)	192	
Projected Maximum Flow - 2013	2,872,704	83.59%
Combined Maximum Flow - Northwest Plant	3,436,848	100.00%

NOTES:

- (1) Per Schedule DMH-1 Appended to Staff Response to Anthem Data Request 1.1
(2) Based on Projections Shown on Surrebuttal Exhibit DLN-1

ARIZONA-AMERICAN WATER COMPANY
ACC DOCKET NOS. W-01303A-09-0343 & SW-01303A-09-0343
ANTHEM WATER & WASTEWATER DISTRICTS

NORTHWEST WW PLANT ALLOCATION
Proposed Rate Base and Operating Income Adjustments to Company, Staff & RUCO

PLANT ADJUSTMENT		FILED	STAFF		ADJUST.	ADJUST.	
DESCRIPTION	UTILITY PLT. CST. (1)	32% ALLOC.	28% ALLOC (1)	16.5% ALLOC.	TO STAFF & CO. (2)	TO RUCO	DEPR. ADJ. (3)
Northwest WW Plant	\$25,995,575	\$8,318,584	\$7,278,761	\$4,289,270	-\$2,989,491	-\$4,029,314	
Accumulated Depreciation (4)	-4,411,709	-1,411,747	-1,235,279	-727,932	507,347	683,815	
Net Plant	\$21,583,866	\$6,906,837	\$6,043,482	\$3,561,338	-\$2,482,145	-\$3,345,499	
Depreciation Adj. - Staff & Co.							-\$134,826
Depreciation Adj. - RUCO							-\$181,722

NOTES:

- (1) Per Staff Schedule GTM-5
- (2) Adjusted to Company Rebuttal Rate Base
- (3) Staff Composite Depreciation Rate of 4.51% for the Northwest Plant
- (4) Staff Adjusted Accumulated Depreciation for the Northwest Plant of 16.971%

OPERATING INC. ADJ.					ADJUST.	ADJUST.
DESCRIPTION	TOTAL PLT. COSTS (1)	32% ALLOC.	28% ALLOC	16.5% ALLOC.	TO STAFF & CO. (2)	TO RUCO
Labor	\$439,680	\$140,698	\$123,110	\$72,547	-\$50,563	-\$68,150
Purchased Water	46,939	15,020	13,143	7,745	-5,398	-7,276
Fuel & Power (3)	373,211	119,428	60,492	60,492	0	-58,936
Chemicals (3)	414,181	132,538	57,985	57,985	0	-74,553
Management Fees	151,361	48,436	42,381	24,975	-17,407	-23,461
Group Insurance	1,351	432	378	223	-155	-209
Rents	22,082	7,066	6,183	3,644	-2,539	-3,423
General Office Expense	9,819	3,142	2,749	1,620	-1,129	-1,522
Miscellaneous	199,988	63,996	55,997	32,998	-22,999	-30,998
Maintenance Expense	153,567	49,141	42,999	25,339	-17,660	-23,803
Depreciation					-134,826	-181,722
Income Taxes (4)					125,361	220,117
Net Operating Expense Adjust.					-\$127,316	-\$253,935
Operating Income Adjust.					\$127,316	\$253,935

NOTES:

- (1) Per Staff Schedule GTM-12
- (2) Adjusted to Company Rebuttal Operating Income
- (3) Staff Variable Cost Allocation Based on 14% Flows
- (4) Adjusted for the Effect of Interest Synchronization

ARIZONA-AMERICAN WATER COMPANY
ACC DOCKET NOS. W-01303A-09-0343 & SW-01303A-09-0343
ANTHEM WATER & WASTEWATER DISTRICTS

ANTHEM/AGUA FRIA WASTEWATER DISTRICT

Comparison of Staff, RUCO and Company Revenue Requirements With Proposed Adjusted Amount

DESCRIPTION	RECOMMENDED PER FILINGS	NW PLANT ADJUST. (1)	PULTE ADJUST. (2)	ADJUSTED AMOUNT
STAFF: (3)				
Rate Base	\$44,359,326	-\$2,482,145	-\$4,408,870	\$37,468,311
Adjusted Operating Income	169,900	127,316	45,483	342,699
Required Rate of Return	7.20%			7.20%
Required Operating Income	3,193,871			2,697,718
Operating Income Deficiency	3,023,971			2,355,019
Gross Revenue Conversion Factor	1.6561			1.6561
Required Revenue Increase	5,007,999			3,900,148
Adjusted Test Year Revenues	8,637,123			8,637,123
Percentage Increase in Revenues	57.98%			45.16%
RUCO: (4)				
Rate Base	\$47,558,242	-\$3,345,499	-\$4,408,870	\$39,803,873
Adjusted Operating Income	23,202	253,935	45,483	322,620
Required Rate of Return	6.77%			6.77%
Required Operating Income	3,219,693			2,694,722
Operating Income Deficiency	3,196,491			2,372,102
Gross Revenue Conversion Factor	1.6561			1.6561
Required Revenue Increase	5,293,709			3,928,438
Adjusted Test Year Revenues	8,634,567			8,634,567
Percentage Increase in Revenues	61.31%			45.50%
COMPANY: (5)				
Rate Base	\$45,416,602	-\$2,482,145	-\$4,408,870	\$38,525,587
Adjusted Operating Income	88,073	127,316	45,483	260,872
Required Rate of Return	7.20%			7.20%
Required Operating Income	3,269,995			2,773,842
Operating Income Deficiency	3,181,922			2,512,970
Gross Revenue Conversion Factor	1.6683			1.6683
Required Revenue Increase	5,308,401			4,192,388
Adjusted Test Year Revenues	8,634,017			8,634,017
Percentage Increase in Revenues	61.48%			48.56%

NOTES:

- (1) Per Surrebuttal Exhibit DLN-3
- (2) Per Direct Testimony Exhibit DLN-1; Operating Income Adjustment Modified for Interest Synchronization
- (3) Per Staff Schedule GTM-1
- (4) Per Attachment RCS-3 to Direct Testimony of RUCO Witness Ralph Smith - Anthem/Agua Fria Wastewater
- (5) Per Company Rebuttal Schedule A-1 - Anthem/Agua Fria Wastewater

ARIZONA-AMERICAN WATER COMPANY
ACC DOCKET NOS. W-01303A-09-0343 & SW-01303A-09-0343
ANTHEM WATER & WASTEWATER DISTRICTS

ANTHEM WATER DISTRICT
Comparison of Staff, RUCO and Company Revenue Requirements
With Proposed Adjusted Amounts

DESCRIPTION	RECOMMENDED PER FILINGS	PULTE ADJUST. (1)	ADJUSTED AMOUNT
STAFF: (2)			
Rate Base	\$57,368,047	-\$12,666,752	\$44,701,295
Adjusted Operating Income	548,175	111,659	659,834
Required Rate of Return	7.20%		7.20%
Required Operating Income	4,130,499		3,218,493
Operating Income Deficiency	3,582,324		2,558,659
Gross Revenue Conversion Factor	1.6578		1.6578
Required Revenue Increase	5,938,777		4,241,745
Adjusted Test Year Revenues	7,483,274		7,483,274
Percentage Increase in Revenues	79.36%		56.68%
RUCO: (3)			
Rate Base	\$57,291,754	-\$12,666,752	\$44,625,002
Adjusted Operating Income	667,437	111,659	779,096
Required Rate of Return	6.77%		6.77%
Required Operating Income	3,878,652		3,021,113
Operating Income Deficiency	3,211,215		2,242,017
Gross Revenue Conversion Factor	1.6578		1.6578
Required Revenue Increase	5,323,552		3,716,815
Adjusted Test Year Revenues	7,473,818		7,473,818
Percentage Increase in Revenues	71.23%		49.73%
COMPANY: (4)			
Rate Base	\$57,422,164	-\$12,666,752	\$44,755,412
Adjusted Operating Income	528,986	111,659	640,645
Required Rate of Return	7.20%		7.20%
Required Operating Income	4,134,396		3,222,390
Operating Income Deficiency	3,605,410		2,581,745
Gross Revenue Conversion Factor	1.6538		1.6538
Required Revenue Increase	5,962,627		4,269,689
Adjusted Test Year Revenues	7,482,226		7,482,226
Percentage Increase in Revenues	79.69%		57.06%

NOTES:

- (1) Per Direct Testimony Exhibit DLN-1; Operating Income Adjustment Modified for Interest Synchronization
- (2) Per Staff Schedule GWB-1
- (3) Per Attachment RCS-2 to Direct Testimony of RUCO Witness Ralph Smith - Anthem Water
- (4) Per Company Rebuttal Schedule A-1 - Anthem Water